

3. Benefits for Part-Time Educators

This section is for you, the part-time educator. As a part-time educator you have access to all the benefits that CalSTRS offers. However, your part-time status presents you with special considerations in retirement planning. As a part-time educator, you have additional decisions about which retirement plan coverage to choose, as well as issues to consider that are unique to part-time employment.

Retirement Plans for Public School Employees

Federal law requires all employees to be covered under a retirement plan. California state law requires all public school employers to provide the CalSTRS Defined Benefit Program. For employees in certificated positions whose time base is less than half-time, public school employers must also offer either Social Security or another retirement program as an alternative to Social Security. The CalSTRS Cash Balance Benefit Program, described later in this section, is one example of an alternative to Social Security. Your employer may offer other alternative retirement programs. See your employer for full details about the specific programs it offers.

Choosing the Plan That's Right for You

If your basis of employment is less than 50 percent of full-time, here are some questions that may help you decide which retirement plan coverage is best for you:

- Do you plan to be a career teacher?
- Does teaching provide you supplemental income or is it your primary source of income?
- Prior to teaching, did you have employment that required you to pay into Social Security?

- What is the contribution rate for the plan and does the employer also make contributions?
- Is there a minimum requirement to be eligible for benefits?
- Does the plan charge administrative fees?
- Is there a guaranteed annual interest rate?
- Does the plan have a record of sound investment experience?
- When does the plan permit distribution of your account?

Retirement Options for Public School Educators

Defined Benefit Program

Members of the CalSTRS Defined Benefit Program who are employed on a part-time or adjunct basis are a distinctive group within the CalSTRS system. Your retirement benefit calculation uses the same components as a member who works full time: age factor, final compensation and service credit, as described earlier in Section 2. However, for you two of those components, final compensation and service credit, are determined differently. Your final compensation and service credit depend on the amount you would have earned if you were working full time in your position. This amount of work is called *full-time equivalent* and this amount of compensation for the full-time equivalent is called *earnable compensation*.

Full-Time Equivalent

The full-time equivalent is the time that a member who is employed on a part-time basis would be required to work in one school year if he or she were employed full time in that position. For members employed in a community college or as an adult education instructor on a part-time basis, the FTE must be identified specifically in either the collective bargaining agreement or in the

employment agreement. The FTE stated in the agreement must be at least the minimum number of days or hours specified by law.

Note: The FTEs listed below are minimum standards; your individual FTE could be higher if your employer requires full-time employees to work more days or hours in that same activity in a school year.

It is important to make sure that your employers determine your FTE properly. Different assignments, even with the same employer, may have different FTEs. Refer to your employment agreement or collective bargaining agreement to obtain your

employing district's established FTE for your type of employment. If you see a discrepancy, contact that employer's office that reports earnings to CalSTRS.

Calculating Earnable Compensation

Your earnable compensation is not the compensation you actually were paid, but what you would have been paid if you worked full time in that position. Therefore, you take the hourly or daily rate for that position and multiply it by the full-time equivalent for the position to determine your earnable compensation.

Calculating Final Compensation

Another key component of your retirement calculation is final compensation. Your final compensation is equal to the highest average annual earnable compensation for three consecutive years, or 12 consecutive months if you have earned 25 years of service credit.

Calculating Service Credit

For part-time and adjunct faculty, service credit for one school year is equal to how much you actually earned in an assignment

Minimum Full-Time Equivalent

If you are a:	Then the <i>minimum</i> FTE is:
Part-time community college instructor	525 instructional hours, plus mandatory office hours, if paid
Community college adult education instructor	875 instructional hours, plus mandatory office hours, if paid
K-12 teacher or any other person who works directly with pupils, including an instructor in an adult education program	175 days or 1,050 hours

Part-time Community College and Adult Education Instructor Service Credit

In one school year, Juanita teaches as a community college instructor for 262.5 hours, which is half of the FTE in her district. She also works as an adult education instructor for 350 hours or 40 percent of the FTE for that position.

Percent Time	Minimum Worked	Actual FTE	÷ Earnings	Full-Time Rate	= Service Credit Earned
Community College Instructor	50% (262.5 hours)	525 hours	\$15,000	÷ \$30,000	= .500
Adult Education Instructor	40% (350 hours)	875 hours	\$10,800	÷ \$27,000	= .400
Total Service Credit					= .900

Juanita would earn .900 of service credit for the year.

Part-time K-12 Teacher Service Credit

During the 2003-2004 school year, Janet taught 30 percent of the FTE for K-12 teachers in her district, or 315 hours. The full-time pay rate was \$42,000. Because she worked every day of her 30 percent teaching contract, she earned \$12,600 for the school year.

	Percent Time Worked	Minimum FTE	Actual Earnings	÷	Full-Time Rate	= Service Credit Earned
K-12 Instructor	30% (315 hours)	1,050 hours	\$12,600	÷	\$42,000	= .300

Janet would receive .300 of service credit for the year.

divided by your earnable compensation for that assignment. When a member works multiple assignments, service credit is the sum of the service credit earned in each individual assignment, up to one year of service credit in a school year.

Raising Your Defined Benefit Retirement Amount

Increasing Service Credit with Additional Assignments

If you work on a part-time or adjunct basis, you may wish to consider taking on additional assignments to earn more service credit if you are not earning one full year of service credit under your existing assignment. Service credit can now be earned for activities such as teaching summer school and intersession, paid office hours, attending staff development days and serving as a coach, band director, yearbook editor or department chair. Extra service will count as additional service credit and will be included in calculating your total service credit for that school year. However, when you near retirement, be sure to consider another factor — final compensation.

Consider Final Compensation If Working for Multiple Employers

As a part-time educator, when you have more than one employer, your earnable compensation is the sum of all your actual salaries divided by the sum of all your service credit earned for the school year. Your final compensation is the average annual earnable compensation during your final compensation period, which is generally your last three years of employment. When salary rates and service credit vary within a school year, your final compensation may be lower, which can lower your retirement benefit. This means it is possible to earn a larger retirement benefit if you reduce the number of employers you work for during your final compensation period.

The following example shows how the calculation can affect the retirement benefit of a part-time educator.

Working for Multiple Employers

Kali works part time at two high schools and a community college. He has 8.95 years of service. If he continues to work for all three employers during his last three years before retirement at age 63, here is how his final compensation would be calculated:

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
C	6,563	.250
Total	\$40,173	.850

Kali's annual earnable compensation is: $\$40,173 \div .850 = \$47,262$

To increase his retirement benefit, Kali could terminate the employment where he receives the lowest annual pay rate and his retirement benefit would be higher.

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
Total	\$33,610	.600

His annual earnable compensation for final compensation is: $\$33,610 \div .600 = \$56,017$

However, if Kali also terminates the position with the next lowest annual pay rate, his final compensation would be even higher.

Employer	Earnings	Service Credit
B	\$30,250	.500
Total	\$30,250	.500

His annual earnable compensation for final compensation is: $\$30,250 \div .500 = \$60,500$

Here's the impact of the three alternatives on Kali's retirement benefit calculation:

Works all three jobs:

Service Credit	Age Factor	Monthly Final Compensation
11.500 x 2.4%	x	\$3,938 = \$1,087 per month

Terminates job with Employer C at the lowest annual pay rate:

Service Credit	Age Factor	Monthly Final Compensation
10.750 x 2.4%	x	\$4,668 = \$1,204 per month or \$117 more per month

Terminates all jobs except one with Employer B at the highest annual pay rate:

Service Credit	Age Factor	Monthly Final Compensation
10.450 x 2.4%	x	\$5,042 = \$1,265 per month or \$178 more per month

Kali decided that the increase of \$178 per month in his retirement benefit was significant enough to terminate employment at two of his part-time jobs. Over the lifetime of his retirement, the difference in income would likely be about \$53,000, not including the 2 percent annual benefit adjustment and any ad hoc increases or purchasing power increases.

However, Kali could not afford to work at only one part-time job during his final three years before retirement. To compensate for the loss in salary, he found part-time employment in addition to teaching in the public school system.

Each person's situation is different. We recommend you meet with a benefits counselor before making decisions that may affect your retirement benefit.

Social Security Program

Your district will offer Social Security to its part-time employees if it does not offer an alternative retirement program. Be aware that under federal law if you qualify for Social Security from any employment, including your spouse's, your Social Security benefit may be reduced if you receive a retirement or disability benefit from the Defined Benefit or Cash Balance Benefit programs or any alternative to Social Security offered by your employer. However, your Defined Benefit Program or Cash Balance Program benefit described in the following text will not be reduced if you receive Social Security benefits.

Because the provisions of Social Security are complex, call 800-772-1213 or go to www.ssa.gov to view publications for the Windfall Elimination Provision (reduction in employee's Social Security benefits) and Government Pension Offset (reduction in employee's Social Security benefits from spouse's employment).

Cash Balance Benefit Program

CalSTRS offers a program designed specifically for part-time educators, which your district may provide as an alternative to Social Security. Your eligibility to participate in the Cash Balance Benefit Program is determined by your basis of employment, rather than the actual hours you work.

Your Cash Balance Benefit contributions are made in pre-taxed dollars via payroll deduction. There are no fees or charges for participation. In addition to a retirement benefit, you are also eligible for disability and death benefits.

For more information on the Cash Balance Benefit program, call 916-229-0554.

The Cash Balance Benefit Program provides you:

- *Immediate vesting*
You are immediately eligible for a benefit equal to the sum of the balance of contributions, including compounded interest earned on your and your employer's accounts.
- *Variable contribution rates that can be bargained*
Your employer must contribute at least 4 percent of the salary you earn, and, generally, you also pay 4 percent. However, each employer may bargain alternative rates. You receive all contributions — both yours and your employer's — and interest, if you terminate public school employment.
- *Secure investments*
The CB Benefit Program investment portfolio is managed by CalSTRS investment professionals, who have a long and successful record of achievement.
- *Guaranteed interest rate*
The interest rate is set by the Teachers' Retirement Board for each plan year based on the 30-year Treasury rate. For 2004-2005, the rate is 5.0 percent.
- *Additional earnings credit*
The Teachers' Retirement Board may, on an annual basis, grant an additional earnings credit to be added to your account.

- *Portability to meet the needs of a part-time educator*

In most cases, you can continue participation in the Cash Balance Benefit Program if you move to another employer that offers the program. If you become a member of the Defined Benefit Program and are no longer contributing to the CB Benefit Program, you may elect to receive credit in the DB Program for eligible CB service.

- *Options if you leave public school employment*

If you leave public school employment entirely, you have two options: leave the contributions on deposit in your account; or withdraw all contributions, including employer contributions, plus interest, subject to a one-year waiting period following the date you terminate employment. If you choose to withdraw your funds, you can roll them over to another eligible retirement plan or an IRA.

- *Flexibility at retirement*

You can take your contributions, your employer's contributions, plus compounded interest in a lump sum, or you can choose an annuity to provide monthly retirement benefits if your balance is at least \$3,500.

Are You Eligible to Participate?

When you are hired by a K–12 district, county office of education or a community college district, your employer is required to notify you that you can elect membership in the CalSTRS Defined Benefit Program, even though you are a part-time employee. You have the option to participate in the Cash Balance Benefit Program, the Defined Benefit Program or an alternative plan your employer may offer. If you choose the CB Benefit Program and your basis of employment changes to half time or more, you will automatically become a member of the Defined Benefit Program.

As long as your basis of employment remains less than half time, you can choose to participate either in the CalSTRS Cash Balance Benefit Program or the CalSTRS Defined Benefit Program — if you are employed in a district that offers the CB Benefit Program.

Effective July 1, 2005, part-time temporary community college instructors and adult education community college instructors are exempt from mandatory Defined Benefit membership requirements. Therefore, they can choose the Cash Balance Benefit Program if it is offered by their employer.

Participating School Districts

Can Offer CB Benefit Program

School districts and community colleges can offer their part-time employees the CB Benefit Program. Offering the CB Benefit Program may be bargained, as some districts are doing currently. Contact your district(s) or county superintendent of schools or union representative to determine if the CB Benefit Program is available.

Working for Multiple Employers

You can contribute to the CB Benefit Program at one or more participating school districts or community colleges if your basis of employment is less than half time for each position at each school or college district.

Choosing Between Defined Benefit and an Alternative Retirement Program

As a part-time or adjunct employee, you have a choice of retirement programs. Employers must offer the Defined Benefit Program and an alternative program to all adjunct employees or part-time educators hired to work less than 50 percent of the full-time equivalent for a specific position. Districts can offer one or more of the following programs:

- CalSTRS Cash Balance Benefit Program
- Another program chosen by the district
- Social Security

Full-time employees are automatically enrolled in the CalSTRS Defined Benefit Program. As a part-time employee, you may choose the Defined Benefit Program anytime during your career.

You may want to choose the CalSTRS Defined Benefit Program if you:

- Plan to work as a California educator long enough to become vested (five years of service credit). This could take 10 years of half-time employment.
- Want a monthly benefit that provides a specific amount that is known in advance and payable for life, and not on the monies in your account.
- Are comfortable contributing 8 percent of your pay toward your retirement.

You may want to choose the Cash Balance Benefit Program if you work in a district where it is offered and you:

- Want a program that provides immediate vesting.
- Want a lump-sum or lifetime monthly benefit based on monies credited to your account with a guaranteed interest rate.
- Are comfortable with the contribution rate, which is typically 4 percent of your salary depending on your local bargaining agreement. This rate is matched by your employer.

Consolidating Your Cash Balance and Defined Benefit Coverages

You may have benefit coverage under both the Defined Benefit Program and the Cash Balance Benefit Program due to past CB-covered employment. If you meet eligibility requirements, you may elect to have CalSTRS consolidate your benefit coverage under the DB Program. To be eligible, you must currently be making contributions under the DB Program; you can no longer be contributing to your CB account; you must have eligible CB service to convert; and you must have funds in your CB account.

When you elect to consolidate your benefits, CalSTRS will transfer the contributions and interest from your Cash Balance account to the Defined Benefit Program and close your CB account. CalSTRS will determine the service credit that could be added to your DB account based on the funds in your CB account and will apply those funds toward

the cost of converting your eligible CB service under the DB Program. In many cases, CB Benefit Program contributions and interest will not cover the full cost of all eligible CB service that you performed because the DB Program requires twice the contributions to cover service as does the CB Benefit Program. You may contribute personal funds toward covering the remaining cost of your eligible CB service.

In some cases, you may have more funds in your CB account than are required to cover the cost of your eligible service. This could occur if, for example, your CB account includes funds that were rolled over from another retirement plan or you had past over-time service that was covered by CB. If this occurs, you may specify how you would like CalSTRS to allocate the residual amount in your CB account after funds are transferred to cover the cost of consolidating benefits.

You may use the residual amount to redeposit previously withdrawn contributions or use it to pay for additional service that you are eligible to purchase. The types of service that you may purchase are outlined in the *Purchase Additional Service Credit* brochure. Any funds remaining in your account that are not used for these purposes will be transferred to your Defined Benefit Supplement account and your CB account will be closed as part of the benefit consolidation process.

Consolidating benefits provides several advantages including:

- You may increase the amount of service credit that will be used to determine your retirement benefit, which may increase your monthly retirement benefit.
- Credit for your eligible CB Benefit Program service may also be used toward eligibility for benefit enhancements, such as one-year final compensation, career factor and longevity bonus.

For more information about the CalSTRS Cash Balance Benefit Program or to request *FAQs About Consolidating Benefit Coverage*, call 800-228-5453 or visit our Web site at www.calstrs.com. You may also send your questions to cashbal@calstrs.com.